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RUEHNE/AMEMBASSY NEW DELHI 2995
RUEHKA/AMEMBASSY DHAKA 1634
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RUEHKT/AMEMBASSY KATHMANDU 6867
RUEHKP/AMCONSUL KARACHI 2482
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SIPDIS

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TREASURY FOR SUSAN CHUN

E.O 12958: N/A

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SUBJECT: MALDIVES REVISED 2009 BUDGET PASSED; 2008 DEFICIT
INCREASES

REF: A) COLOMBO 395
B) COLOMBO 273
C) 08 COLOMBO 1075
D) 08 COLOMBO 133

¶1. On April 30, the Maldivian parliament approved the government's revised 2009 budget, replacing the 2009 budget prepared by former President Gayoom's regime and presented to Parliament by the President Nasheed team just weeks after coming into power in November 2008(ref C). This action follows on Minister Finance and Treasury Ali Hashim previous request for additional time to present a budget to meet new administration's policies and to reduce the massive deficit.

¶2. According to press reports, the revised budget contains a lower deficit of Rf 2.2 billion (USD 170 million) compared to a deficit of Rf 5.7 billion (USD 444 million) in the original budget. Total expenditure is estimated at Rf 12.5 billion (USD 977 million), down 8 percent from Rf 13.6 billion (USD 1.06 billion) in the original budget. According to embassy estimates, the revised deficit would be about 13% of GDP compared with a deficit of 32% of GDP envisaged in the original budget.

¶3. While information about the revenue forecasts are not yet available to post from the GORM, according to press reports, the budget includes substantial revenue (Rf 3.8 billion or USD 300 million) from privatization and public-private partnerships. Opposition MPs have heavily criticized the government's privatization plans. At an April 28 press conference, President Nasheed dismissed these concerns saying it would not be possible to provide all utilities and services by the government budget alone. Therefore, it's important to continue with the privatization program. (Note: Although plans to privatize various government-provided services, including utilities and transportation, have been widely discussed by Nasheed's government, to date little action has taken place.) MP's were not completely swayed by the government arguments. As a result, the budget passed -- by a vote of 37 to 1 -- with an amendment requiring the government to provide details to parliament before selling government shares, signing any agreement with foreign companies, or entering private-public partnerships.

¶4. Post will report additional information on the 2009 revised budget as available.